

S653

TRANSMITTAL SLIP		
TO: OLC Attn: [REDACTED]		
ROOM NO.	BUILDING	
REMARKS:  Per our phone conversation.		
FROM: James H. Taylor, Deputy Compt.		
ROOM NO.	BUILDING	EXTENSION

STATINTL

FORM NO. 241  
1 FEB 55

REPLACES FORM 36-8  
WHICH MAY BE USED.

(47)

SENDER WILL CHECK CLASSIFICATION TOP AND BOTTOM			
UNCLASSIFIED		CONFIDENTIAL	
<b>OFFICIAL ROUTING SLIP</b>			
TO	NAME AND ADDRESS	DATE	INITIALS
1	Comptroller		
2			
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	ACTION	DIRECT REPLY	PREPARE REPLY
	APPROVAL	DISPATCH	RECOMMENDATION
	COMMENT	FILE	RETURN
	CONCURRENCE	INFORMATION	SIGNATURE
<b>Remarks:</b>  <p>Attached is a draft letter of our views on S. 653, a bill by Senator Proxmire which would authorize GAO, at the request of the congressional committees with legislative oversight of CIA, to audit any account or operation of the Agency. Please give me your views on the letter, and any additional arguments you can think of to oppose the bill, by April 11.</p> <div style="background-color: black; width: 200px; height: 40px; margin: 10px auto;"></div> <p style="text-align: right;">Assistant Legislative Counsel</p>			
FOLD HERE TO RETURN TO SENDER			
FROM: NAME, ADDRESS AND PHONE NO.			DATE
OLC 7D35 6136/9227			4/3/75
	UNCLASSIFIED	CONFIDENTIAL	SECRET

FORM NO. 1-67 237 Use previous editions

(40)

STATINTL !

DRAFT:DFM:cg (3 Apr 75)

Honorable Abraham A. Ribicoff, Chairman  
Committee on Government Operations  
United States Senate  
Washington, D. C. 20515

Dear Mr. Chairman:

I understand that S. 653, introduced on February 11 by Senator Proxmire, has been referred to the Committee on Government Operations for consideration. This bill would <sup>require</sup> ~~authorize~~ those congressional committees with legislative oversight of the intelligence agencies to <sup>ask</sup> ~~require~~ the General Accounting Office to audit the accounts and operations of the intelligence agencies. The legislation states this audit shall be conducted notwithstanding the provision of section 8(b) of the Central Intelligence Agency Act of 1949 (50 U.S.C. 403). <sup>which prohibits that</sup> Because this bill would have a serious ~~detrimental~~ effect on the <sup>mission of the</sup> Central Intelligence Agency, I am ~~taking the liberty of~~ writing to you to express my concern.

*not on the CIA or our mission*  
*The mission of the CIA is intimately connected with my duty to protect sources and methods from unauthorized disclosure. If I did not do so, our intelligence would be reduced to one opponent for the nation.*  
\* Section 102(d)(3) of the National Security Act of 1947 (50 U.S.C. 403) charges the Director of Central Intelligence with protecting Intelligence Sources and Methods from unauthorized disclosure. This <sup>charge</sup> ~~responsi-~~ bility stems from <sup>by the Congress</sup> ~~the~~ realization that protection of these sources and methods is vital to the accomplishment of CIA's mission of providing first-rate finished intelligence to the nation's policy makers. <sup>A</sup> ~~One~~ of the key statutory tools assisting the Director in protecting sources and methods is section 8,

When Finished

*This too! insures bluntly*  
[which] would be [severely eroded] by enactment of S. 653. Section 8(b) states:

"(b) The sums made available to the Agency may be expended without regard to the provisions of law and regulations relating to the expenditure of Government funds; and for objects of a confidential, extraordinary, or emergency nature, such expenditures to be accounted for solely on the certificate of the Director and every such certificate shall be deemed a sufficient voucher for the amount therein certified."

The importance of this section was acknowledged by Lindsay C. Warren, Comptroller General at the time the CIA Act was before Congress. A letter dated March 12, 1948, from Mr. Warren to the Director of the Bureau of the Budget, addressed this confidential funds authority. Mr. Warren wrote that while this authority provided "for the granting of much wider authority than I would ordinarily recommend for Government agencies, generally, the purposes sought to be obtained by the establishment of the Central Intelligence Agency are believed to be of such paramount importance as to justify the extraordinary measures proposed therein." He further stated that the "necessity for secrecy in such matters is apparent and the Congress apparently recognized this fully in that it provided in Section 102(d) 3 of Public Law 253, that the Director of Central Intelligence shall be responsible for protecting intelligence sources and methods from unauthorized disclosure." Under

these conditions, he stated, "I do not feel called upon to object to the proposals advanced..."

*As background, it is interesting to note that*

GAO began auditing the vouchered accounts of this Agency in 1949.

*7. Yeh has right and although it was*  
This was the same audit GAO conducted of other federal agencies, In the 1950's, however, *GAO was primarily restricted to vouchered funds. sought to institute a* GAO instituted the comprehensive audit, the purpose of

which was to examine all agency financial transactions, as well as to evaluate the *use* (utilization) of property and personnel, and the effectiveness and economy of the (conduct) of agency programs. Through negotiations between CIA and GAO,

*of CIA* An expanded audit by GAO was instituted in 1959, but *it* one which fell short of the (full) comprehensive audit in that it did not *include* (encompass) the most sensitive agency

accounts and operations. *at this time* During these negotiations, the Comptroller General again expressed his support for Section 8(b), *in recognition of the importance of the OCE's responsibility for protection of intelligence sources and methods.*

This arrangement was maintained until 1962. Despite *desire* the urging *to the contrary*

*by* of the Director of Central Intelligence (Mr. McCone) and *the* Chairman of the

Committee on Armed Services of the House of Representatives (Mr. Vinson),

GAO recommended that *to* (their) audit be discontinued, stating *to* (their) view that GAO did "not have sufficient access to make comprehensive reviews on a continuing

basis that would be productive of evaluations helpful to the Congress." The

Director and Mr. Vinson reluctantly agreed. As a result of the GAO desire to

discontinue its audit, the Agency established additional internal audit and review procedures. These follow exactly the same procedures and techniques that GAO

employs *which are still carried out today (-)*

I believe an unfettered section 8(b) is essential to my ability to protect present Intelligence Sources and Methods, <sup>It is</sup> ~~and~~ critical to this Agency's ability to attract ~~new~~ sources of information. A foreigner who cooperates with us <sup>reason of livelihood, his freedom, or even his</sup> may stand in danger of losing his <sup>life</sup>, should <sup>his</sup> our relationship become known. Most Americans who cooperate with us also desire confidentiality. We have always been able to assure those who assist us that no one outside CIA will have access to their records, and that only the absolute minimum number of Agency employees will know of the relationship. I believe the revelation that non-Agency auditors could gain access to their names or records <sup>OF THESE PEOPLE, WHOULD</sup> ~~might~~ well discourage many of these people from future cooperation, <sup>it</sup> and would certainly affect the assurance we could, in good faith, provide. We have already lost some cooperation, due to the fear of disclosure evoked by the recent plethora of leaks and allegations about CIA activities.

From  
p.3

The decision of the Comptroller General to discontinue the audit of Agency activities was received with considerable reservation within CIA. We have always felt that an arrangement could be reached which would comport with GAO audit requirements and at the same time avoid endangering Intelligence Sources and Methods, which I have a statutory duty to protect. However, I must oppose any legislation, including S. 653, which would authorize any additional access to our most sensitive records.

Sincerely,

W. E. Colby  
Director

94TH CONGRESS  
1ST SESSION

**S. 653**

**IN THE SENATE OF THE UNITED STATES**

**FEBRUARY 11, 1975**

Mr. PROXMIER introduced the following bill; which was read twice and referred to the Committee on Government Operations

**A BILL**

To amend the Budget and Accounting Act, 1921, to provide for audits by the General Accounting Office of expenditures by intelligence agencies of the Government and for reports thereon to certain committees of the Congress.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 That the Budget and Accounting Act, 1921 (31 U.S.C.  
4 41 et seq.) is amended by adding at the end thereof the  
5 following new section:

6 "SEC. 320. (a) Notwithstanding the provisions of sec-  
7 tion 8 (b) of the Central Intelligence Agency Act of 1949  
8 (50 U.S.C. 403j (b)) or of any other provision of law, the  
9 accounts and operations of each intelligence agency of the

1 Government shall be audited pursuant to the provisions of  
2 this section and under such rules and regulations as may be  
3 prescribed by the Comptroller General. For purposes of  
4 this subsection, the term 'intelligence agency' means the  
5 Central Intelligence Agency, the Defense Intelligence  
6 Agency, the National Security Agency, the Intelligence  
7 and Research Bureau of the Department of State, and the  
8 intelligence components of the Department of the Treasury,  
9 the Department of the Army, the Department of the Navy,  
10 the Department of the Air Force, the Energy Research and  
11 Development Administration, and the Federal Bureau of  
12 Investigation. Such term also includes any successor agency  
13 or component to any of the agencies or components named  
14 in the preceding sentence.

15       “(b) The Comptroller General shall arrange for security  
16 clearances of such officers and employees of the General Ac-  
17 counting Office as may be necessary to carry out the pro-  
18 visions of this subsection, and the intelligence agencies shall  
19 give the highest priority to processing such clearances.

20       “(c) The head of each intelligence agency shall cooper-  
21 ate with the Comptroller General and the officers and em-  
22 ployees assigned by him in carrying out the provisions of  
23 this subsection.

24       “(d) At the request of any committee of the Senate or  
25 the House of Representatives, or any joint committee of the



1 Congress, which has legislative jurisdiction over any intelli-  
2 gence agency or the appropriation of funds therefor, or of  
3 any subcommittee of any such committee or joint committee  
4 to which such jurisdiction has been delegated by such com-  
5 mittee or joint committee, the Comptroller General shall  
6 (A) submit to such committee, joint committee, or sub-  
7 committee a report of any audit of the accounts and opera-  
8 tions of such intelligence agency conducted pursuant to this  
9 subsection, and (B) conduct an audit pursuant to this subsec-  
10 tion of such accounts and operations of such intelligence  
11 agency as may be requested and submit a report thereon to  
12 such committee, joint committee, or subcommittee.”.

94TH CONGRESS  
1ST Session

**S. 653**

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To amend the Budget and Accounting Act, 1921, to provide for audits by the General Accounting Office of expenditures by intelligence agencies of the Government and for reports thereon to certain committees of the Congress.

By Mr. PROXMIER

FEBRUARY 11, 1975

Read twice and referred to the Committee on Government Operations

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